

## **RESOLUTION NO. 2019-02**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CATHEDRAL CITY, CALIFORNIA, ADJUSTING THE CANNABIS TAX BASIS FOR CANNABIS DISPENSARIES PURSUANT TO SECTION 3.48.040 OF THE CATHEDRAL CITY MUNICIPAL CODE**

#### **THE CITY COUNCIL OF THE CITY OF CATHEDRAL CITY FINDS:**

A. The voters of Cathedral City approved Measure N at the November 2014 general municipal election establishing a tax on the proceeds of cannabis businesses as defined in Measure N in a maximum amount of 15% of proceeds.

B. Measure N authorized the Council to set the tax at a rate that is less than 15% and to establish exemptions, incentives, or other reductions.

C. Resolution 2015-50, adopted August 26, 2015, set a tax rate of 10% for each medical cannabis business that received or receives from the City a permit to operate a medical cannabis business or cooperative in the City.

D. At the time Measure N was approved, dispensaries were the only type of medical cannabis business permitted in the City. Subsequently, the City Council has substantially changed the City's regulation of medical cannabis businesses, and expanded the types of medical cannabis businesses that are allowed in the City.

E. The City Council placed Measure P on the November 2016 ballot to amend the tax on cannabis businesses to include different tax rates for medical cannabis cultivation and manufacturing, among other things.

F. The voters approved Measure P, which imposes the following taxes on medical cannabis businesses in the City:

- Fifteen cents for each one dollar of gross receipts or fractional part thereof received by a dispensary or by any other cannabis business for activities other than cannabis cultivation or manufacturing.
- Twenty-five dollars for each square foot or fractional part thereof of cannabis cultivation space.
- One dollar for each gram of cannabis concentrate produced or manufactured.
- One dollar for each unit of cannabis-infused product other than cannabis concentrate produced or manufactured and packaged or intended for individual sale.

G. Measure P continues to authorize the Council to set the taxes on medical cannabis at lower rates than what was approved by the voters, and to establish exemptions, incentives, or other reductions.

H. On April 26, 2017, the City Council adopted Resolution No. 2017-13 lowering the cannabis tax rates to:

- Ten cents for each one dollar of gross receipts or fractional part thereof received by a dispensary or by any other cannabis business for activities other than cannabis cultivation or manufacturing.
- Fifteen dollars for each square foot or fractional part thereof of cannabis cultivation space.
- Forty cents for each gram of cannabis concentrate produced or manufactured.
- Forty cents for each unit of cannabis-infused product other than cannabis concentrate produced or manufactured and packaged or intended for individual sale.

I. On October 10, 2018, the City Council adopted Resolution No. 2018-46 further modifying the cannabis tax rate applicable to cannabis concentrate to establish different rates for crude concentrate (5 cents per gram), distillate (10 cents per gram), and exotic/boutique concentrate (40 cents per gram).

J. The City Council desires to adjust the basis upon which the gross receipts tax on dispensaries are calculated so that the tax is calculated based on the gross receipts from the sale of cannabis or cannabis-infused products, and not on any gross receipts received from the sale of non-cannabis merchandise.

#### **THE CITY COUNCIL OF THE CITY OF CATHEDRAL CITY RESOLVES:**

**SECTION 1.** For the purpose of calculating the Cannabis Tax due and payable from a dispensary, the “gross receipts” of the dispensary shall be defined to include the total amount actually received or receivable from all sales of cannabis and cannabis-infused products. Amounts received from the sale of other products shall not be subject to the Cannabis Tax.

**SECTION 2.** Except as otherwise provided in Section 1 of this Resolution, all definitions in Chapter 3.48 of the Code shall apply to this Resolution.

**SECTION 3.** This Resolution shall take effect on March 1, 2019.

**PASSED, APPROVED AND ADOPTED** at a regular meeting of the City Council of the City of Cathedral City held on this 27<sup>th</sup> day of February, 2019, by the following vote:

Ayes: Councilmembers Gutierrez and Gregory; Mayor Pro Tem  
Aguilar and Mayor Carnevale

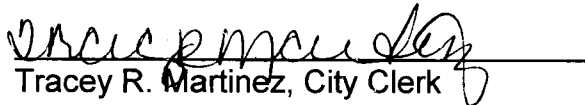
Noes: None

Absent: None

Abstain: None

  
Mark Carnevale, Mayor

ATTEST:

  
Tracey R. Martinez, City Clerk

APPROVED AS TO FORM:

  
Eric S. Vail, City Attorney